

TENNESSEE REGULATORY AUTHORITY

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T.R.A. DOCKEY



Deborah Taylor Tate, Chairman
Pat Miller, Director
Sara Kyle, Director
Ron Jones, Director

460 James Robertson Parkway
Nashville, Tennessee 37243-0505

October 29, 2003

Memphis Networx, LLC
Jeffrey Rice, Controller
7620 Appling Center Drive
Suite 101
Memphis, Tennessee 38133

Dear Mr. Rice:

This letter is to follow up on your October 28, 2003 conversation with Patsy Fulton. Based on this conversation, I understand that Ernst and Young, LLP should be submitting a proposed audit plan to Authority Staff early next week and that after the plan is finalized, an engagement letter will be forthcoming between Ernst and Young, LLP and Memphis Networx, LLC.

Absent the initiation of an audit of MLGW and Memphis Networx as ordered by the Authority, Staff provided an initial audit plan to Ernst and Young this past August. Ernst and Young then requested that it be given an opportunity to meet with MLGW to revise the audit plan and to possibly utilize MLGW's internal Staff for certain audit functions. On several occasions the date for providing a revised audit plan has been delayed. This audit was to commence this past January and is therefore well behind the schedule ordered by the Authority. It is imperative that this audit begin as soon as possible to comply with the Authority's Order granting Memphis Networx certificate; accordingly a proposed audit plan detailing all procedures must be submitted no later than Wednesday, November 5, 2003.

This matter has been added to the November 24, 2003 Authority Conference Agenda in the event that the Directors need to address the lack of movement on the audit. Should you have any questions regarding this matter, please contact David Foster at (615) 741-2904, extension 188 or Patsy Fulton at extension 193.

Sincerely,

Joe Werner, Chief
Telecommunications Division